ECONOMIC OUTLOOK
AND
REVENUE ESTIMATES
FOR
MICHIGAN

FY 2024-25
THROUGH
FY 2026-27

HOUSE FISCAL AGENCY

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FOREWORD

This report includes a national and state economic forecast for calendar year (CY) 2024 through CY 2027. It also presents preliminary General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenue for fiscal year (FY) 2023-24, revised revenue estimates for FY 2024-25 and FY 2025-26, and initial estimates for FY 2026-27. Estimates reported herein will be presented to the Consensus Revenue Estimating Conference on January 10, 2025, and will be used to facilitate the consensus estimating process.

This report includes House Fiscal Agency (HFA) analyses of important factors that will affect state and national economies through the year 2027, and estimates of the Countercyclical Budget Stabilization Fund, state compliance with the Constitutional State Revenue Limit, and GF/GP and SAF year-end balances.

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TABLE OF CONTENTS

Economic Overview and Forecast **1**
Total Wage and Salary Employment (Figure 1) 2
U.S. and Michigan Motor Vehicle Industry 3
Light Vehicle Sales (Figure 2) 3
U.S. Forecast Highlights 4
Michigan Forecast Highlights 4
Economic Forecast Variables (Table 1) 5

Risks and Uncertainties **7**
Inflation and Monetary Policy 7
Geopolitical Conflict and Global Economic Conditions 7
Financial Setbacks 7
Federal Policy 8

GF/GP and SAF Revenue **9**
Baseline and Net GF/GP and SAF Revenue Estimates 9
GF/GP Revenue by Source 10
SAF Revenue by Source 10
HFA Revenue Estimates (Table 2) 11
GF/GP Net Revenue Estimates (Table 3) 12
School Aid Fund Net Revenue Estimates (Table 4) 13
Budget Stabilization Fund (BSF) Year-End Balance (Table 5) 14
Compliance with the State Revenue Limit (Table 6 and Figure 3) 16
HFA Estimates of Year-End Balances 17
Year-End Unreserved Balance Estimates (Table 7) 17

ECONOMIC OVERVIEW AND FORECAST

This section presents the economic forecast used by the House Fiscal Agency to produce its revenue forecasts for FY 2024-25 through FY 2026-27. In developing the U.S. and Michigan forecasts, key macroeconomic data such as employment, interest rates, business investment, light vehicle sales, international trade, oil prices, and consumer spending are examined with the goal of combining these variables along with others into an overall snapshot of the U.S. economy for the past year, current year, and two subsequent years. The key segments for Michigan include the automotive sector, the labor force and employment, wage and salary income, and inflation rates.

The national economy remains strong and has shown resiliency in CY 2024, with estimated 2.8% real GDP growth. Inflation has moderated significantly from its highs, although not yet falling to the Fed's preferred 2% target range, which has allowed the Fed to begin a rate cutting cycle, albeit a cautious one. In addition, while the labor market has softened, with fewer job openings, slower hiring rates, and modest increase in the unemployment rate, overall it still remains relatively strong. Consumers continue to exhibit spending power, driving much of the GDP growth. That said, the forecast assumes the labor market will continue to soften and the economic growth will slow to 2.0% in CY 2025 before rebounding slightly to 2.2% in CY 2026 and 2.1% in CY 2027.

Employment growth will moderate throughout the forecast window, averaging about 0.8% annual growth, and the unemployment rate will peak at 4.5% in CY 2025 before dropping back to 4.3% in CY 2026 and 4.2% in CY 2027. Inflation is expected to tread water over the forecast horizon, dropping to 2.4% in CY 2025, increasing to 2.7% in CY 2026, and declining to 2.6% in CY 2027.

Michigan's economy and state revenue are significantly affected by the strength of the national economy. The Michigan outlook projects a slightly weaker employment picture than the national economy with softer employment growth and unemployment peaking at 4.9% in CY 2025 before dropping to 4.7% in CYs 2026 and 2027. Despite the recent deceleration, the Michigan economy is forecast to maintain moderate growth. However, the uncertainty around federal policies under the incoming administration related to tariffs and trade, taxes, and immigration, to name a few, make a baseline forecast less useful.

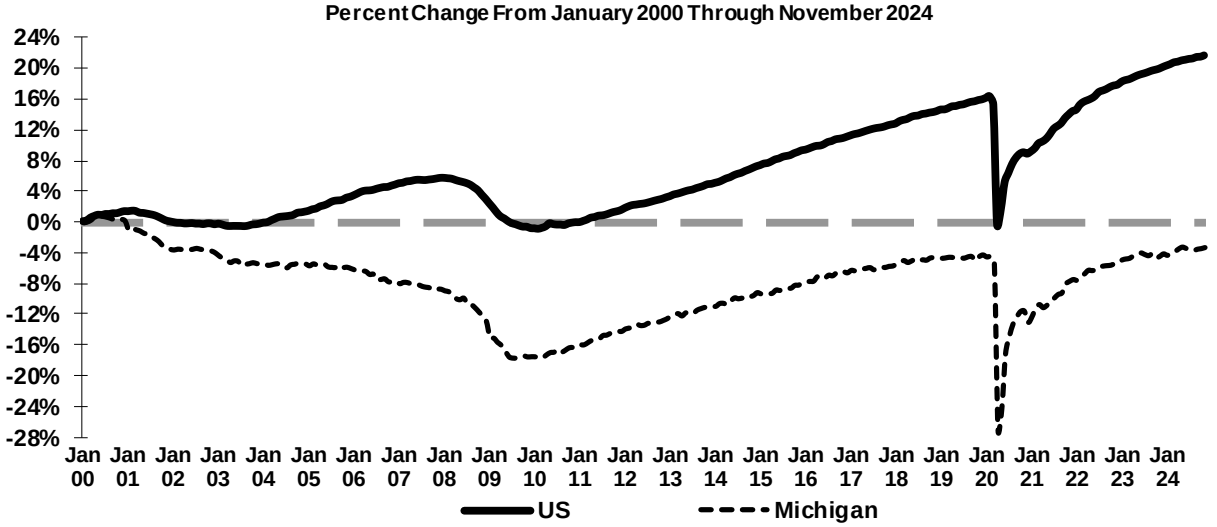
Total Wage and Salary Employment

Figure 1 shows the monthly percent change in total wage and salary employment for both the U.S. and Michigan from January 2000 through November 2024.

Figure 1

Total Wage and Salary Employment

Percent Change From January 2000 Through November 2024



U.S. Wage and Salary Employment

U.S. employment peaked in February 2001, and then began a long slide that did not end until August 2003. During this 30-month period, more than 2.7 million jobs were lost – about 91,800 jobs per month on average. This decline was followed by 53 consecutive months of job growth, and by January 2008, more than 8.1 million jobs had been added.

The recession which began in February 2008 led to 25 continuous months of employment declines during which almost 8.8 million jobs were lost. Job gains finally reappeared in March 2010, and during the 128-month span of job growth that ensued, U.S. wage and salary employment surpassed the pre-recession peak and by February 2020, total cumulative growth during the expansion topped 22.8 million jobs.

The sharp decline brought about by COVID-19 saw employment drop back to roughly the same level as January 2000, but through November 2024 employment has grown by 28.9 million jobs from the COVID-19 low point in April 2020 and total employment is now 4.6% above pre-pandemic levels.

Michigan Wage and Salary Employment

Michigan endured more than a decade of job losses during the early 2000s, during which time wage and salary employment in Michigan dropped by almost 18% relative to January 2000. As the labor market began recovering from the Great Recession, steady job growth continued each year through 2019, although by the end of the decade annual gains were slowing. Still, by the end of 2019, total employment was within 5% of the January 2000 level.

As with employment nationwide, sharp declines occurred in March and April of 2020 as employment plunged well below Great Recession levels. As of November 2024, Michigan has added back about 1.11 million jobs from the pandemic low point in April 2020 and is about 1.2% above the pre-pandemic level in February 2020.

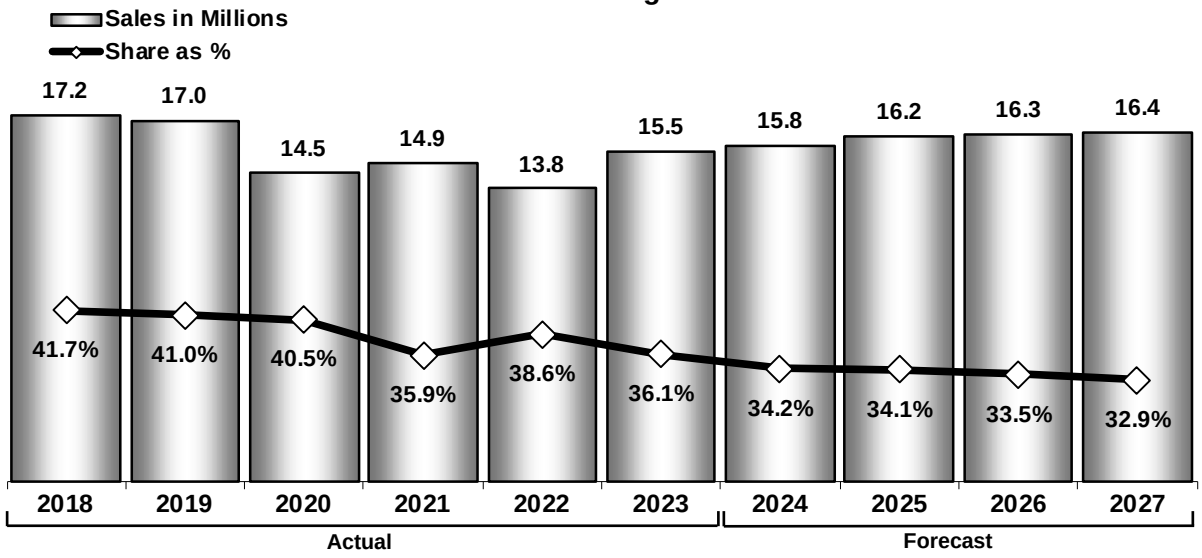
U.S. and Michigan Motor Vehicle Industry

Early estimates indicate that light motor vehicle sales totaled 15.8 million units in CY 2024, an increase of 1.9% from the 15.5 million vehicles sold in CY 2023. Light motor vehicle sales are forecast to increase to 16.2 million units in CY 2025 and continue growing to 16.3 million units in CY 2026 and 16.4 million units in CY 2027, falling short of pre-pandemic levels throughout the forecast window.

The market share of imports and transplants (vehicles with a foreign nameplate that are made in the U.S.) has stabilized in recent years. As shown in **Figure 2**, the market share of the Detroit-3 auto manufacturers was 36.1% in CY 2023 and is expected to decline to 32.9% by the end of the forecast.

The level and composition of light motor vehicle sales as well as the extent to which the domestic nameplates can retain market share will have a direct impact on Michigan's economy. In CY 2024, the Detroit-3 is expected to sell 5.4 million vehicles, which is a 3.3% decline from CY 2023. It is projected that the Detroit-3 will sell approximately 5.5 million vehicles in CY 2025 before sales decrease to 5.5 million units in CY 2026 and 5.4 million units in CY 2027.

Figure 2
Detroit-3 Share of Light Vehicle Sales



U.S. Forecast Highlights

Real GDP growth is forecast to increase 2.0% in CY 2025, 2.2% in CY 2026, and decrease in 2.1% in CY 2027.

Inflation, as measured by the Consumer Price Index (CPI), is forecast to tread water over the forecast, measuring 2.4% in CY 2025, 2.7% in CY 2026, and 2.6% in CY 2027.

Light vehicle sales are forecast to increase to 15.8 million units in CY 2024, 16.2 million units in CY 2025, 16.3 million units in CY 2026, and 16.4 million units in CY 2027. The import share of light vehicles is forecast to decrease from 22.6% in CY 2024 to 21.9% in CY 2027.

Wage and salary employment growth is expected to increase 1.6% in CY 2024, 0.9% in CY 2025, 0.8% in CY 2026, and 0.7% in CY 2027.

The national unemployment rate is expected to be 4.0% in CY 2024; it is forecast to increase to 4.5% in CY 2025 before decreasing to 4.3% in CY 2026 and 4.2% in CY 2027.

Interest rates on three-month T-bills are expected to decrease from 5.0% in CY 2024 to 3.8% in CY 2025, and 3.3% in CYs 2026 and 2027 as the Federal Reserve lowers interest rates in response to declining inflation.

Michigan Forecast Highlights

Michigan wage and salary employment is expected to grow by 0.8% in CY 2024, 0.7% in CY 2025, 0.5% in CY 2026, and 0.4% in CY 2027.

Michigan's unemployment rate is expected to be 4.3% in CY 2024; it is forecast to increase to 4.9% in CY 2025 before decreasing to 4.7% in CYs 2026 and 2027.

Michigan personal income is expected to increase by 4.8% in CY 2024, 3.7% in CY 2025 and continue to grow at rates of 3.9% in CY 2026 and 3.9% in CY 2027.

Michigan wage and salary income is expected to increase 5.1% in CY 2024; it is forecast to increase 3.9% in CY 2025, 3.5% in CY 2026, and 3.3% in CY 2027.

Inflation (as measured by the Detroit Consumer Price Index) is forecast to measure 2.2% in CY 2025, 2.7% in CY 2026, and 2.6% in CY 2027.

Additional details of the U.S. and Michigan forecasts are presented in **Table 1** on the following page.

Table 1
ECONOMIC FORECAST VARIABLES

	Calendar 2023 Actual	Calendar 2024 Estimate	% Change from Prior Year	Calendar 2025 Estimate	% Change from Prior Year	Calendar 2026 Estimate	% Change from Prior Year	Calendar 2027 Estimate	% Change from Prior Year
United States									
Real Gross Domestic Product (Billions of 2017 dollars)	$22,671.1	$23,296.9	2.8%	$23,762.9	2.0%	$24,285.3	2.2%	$24,798.6	2.1%
Implicit Price Deflator GDP (2017 = 100)	122.266	125.227	2.4%	128.027	2.2%	130.776	2.1%	133.817	2.3%
Personal Consumption Deflator (2017 = 100)	120.486	123.477	2.5%	126.045	2.1%	128.815	2.2%	131.708	2.2%
Consumer Price Index (1982-84 = 100)	304.702	313.507	2.9%	321.007	2.4%	329.687	2.7%	338.271	2.6%
Consumer Price Index (FY) (1982-84 = 100)	302.289	311.581	3.1%	318.972	2.4%	327.440	2.7%	336.151	2.7%
Federal Funds Rate Interest Rate (Percent)	5.0%	5.1%		3.9%		3.3%		3.3%	
3-month Treasury Bills Interest Rate (Percent)	5.1%	5.0%		3.8%		3.3%		3.3%	
Aaa Corporate Bonds Interest Rate (Percent)	6.8%	6.7%		6.2%		6.0%		5.7%	
Unemployment Rate (Percent)	3.6%	4.0%		4.5%		4.3%		4.2%	
Wage and Salary Employment (Millions of workers)	156.1	158.6	1.6%	160.0	0.9%	161.2	0.8%	162.3	0.7%
Housing Starts (Millions of units)	1.421	1.357	(4.5%)	1.340	(1.3%)	1.400	4.5%	1.435	2.5%
Light Vehicle Sales (Millions of units)	15.5	15.8	1.9%	16.2	2.5%	16.3	0.6%	16.4	0.6%
Passenger Car Sales (Millions of units)	3.1	3.0	(4.0%)	3.0	1.6%	3.0	(0.9%)	3.0	(0.5%)
Light Truck Sales (Millions of units)	12.4	12.8	3.0%	13.2	3.2%	13.3	1.0%	13.4	0.9%
Import Share of Light Vehicles (Percent)	21.8%	22.6%		22.5%		22.2%		21.9%	
Detroit-3 Share of Light Vehicle Sales (Percent)	36.1%	34.2%		34.1%		33.5%		32.9%	
Personal Income (Billions of current dollars)	$23,402.5	$24,692.1	5.5%	$25,824.0	4.6%	$27,049.0	4.7%	$28,340.5	4.8%
Michigan									
Wage and Salary Employment (Thousands of workers)	4,452.5	4,490.0	0.8%	4,519.7	0.7%	4,543.2	0.5%	4,561.6	0.4%
Transportation Equipment Employment (Thousands of workers)	188.0	183.5	(2.4%)	182.8	(0.4%)	183.1	0.1%	182.5	(0.3%)
Unemployment Rate (Percent)	3.9%	4.3%		4.9%		4.7%		4.7%	
Personal Income (Millions of current dollars)	$613,719	$643,259	4.8%	$666,826	3.7%	$692,634	3.9%	$719,384	3.9%
Real Personal Income (Millions of 1982-84 dollars)	$217,014	$220,122	1.4%	$223,012	1.3%	$225,502	1.1%	$228,273	1.2%
Wage and Salary Income (Millions of current dollars)	$296,271	$311,386	5.1%	$323,440	3.9%	$334,763	3.5%	$345,841	3.3%
Detroit Consumer Price Index (1982-84 = 100)	283.730	292.605	3.1%	298.949	2.2%	307.104	2.7%	315.105	2.6%
Detroit Consumer Price Index (FY) (1982-84 = 100)	280.730	290.626	3.5%	296.964	2.2%	304.985	2.7%	313.134	2.7%

RISKS AND UNCERTAINTIES

An economic forecast is based on the best information available at the time the forecast is prepared. Because information and foresight are not perfect, risks and uncertainties are inherent in any forecast, and variations in the underlying factors can exert either optimistic or pessimistic influences on the forecast. Some of the more prevalent risks are highlighted below in no particular order.

Inflation and Monetary Policy

Elevated inflation levels led the Federal Reserve to aggressively raise rates throughout CY 2022 and CY 2023 reaching the forecasted terminal range of 5.25-5.50%. Since September 2024 the Fed has reduced the federal funds rate by 100 basis points. As inflation continues to abate and the modest cooling in the labor market continues, the forecast assumes the Fed will continue to loosen monetary policy. While the forecast assumes the Fed is successful at reducing inflation to levels closer to its target rate in the near term, sticky inflation above the Fed's target that necessitates maintaining rates higher for longer or even a potential reversal in policy to monetary tightening would present a downside risk to the forecast.

Geopolitical Conflict and Global Economic Conditions

The Russia-Ukraine and Israel-Hamas conflicts continue to present challenges on multiple fronts as countries respond politically, militarily, and economically. Certainly, a quicker end to the conflicts presents an upside risk, while a protracted or intensified set of conflicts and a more pronounced slowdown in global growth is a downside risk to the forecast.

Financial Setbacks

Higher for longer interest rates could lead to diminished consumer spending and business investment, which could restrain economic growth in the near-term. On the other hand, interest rates below those forecasted could lead to increased consumer and business loan demand and a quicker rebound in the housing market, among other things. Therefore, the direction of lending standards is both an upside and downside risk to the forecast.

Federal Policy

The scope of federal policy changes around tariffs and trade, taxes, immigration, and industrial policy creates significant uncertainty in the forecast.

GF/GP AND SAF REVENUE

Revenue estimates are based on the economic performance of the components of national and state economies discussed in the previous section. This section contains the House Fiscal Agency's January 2025 baseline and net General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) estimates as well as recommended revisions from the May 2024 Consensus Revenue Estimating Conference (**Table 2**), detailed net GF/GP estimates (**Table 3**), and detailed net SAF (**Table 4**) estimates. Also, included in this section are estimated year-end balances for GF/GP, the SAF, the budget stabilization fund (BSF), and the state revenue limit calculation.

Baseline and Net GF/GP and SAF Revenue Estimates

Table 2 reports GF/GP and SAF revenue in terms of baseline and net revenue. Baseline revenue does not include the impact of partial-year policy changes or certain other policy changes that have recently been adopted. Baseline estimates are comparable across fiscal years and demonstrate the changes to state revenue that are driven by changes in the economy. The preliminary total baseline GF/GP and SAF revenue is $35.6 billion in FY 2023-24. It is forecast to increase 2.0% in FY 2024-25, 2.2% in FY 2025-26, and 2.0% in FY 2026-27.

Net revenue captures the effects of all policy changes and represents actual resources available. Preliminary total net GF/GP and SAF revenue is $32.6 billion in FY 2023-24, which would be a 2.6% increase from FY 2022-23. It is forecast to increase 1.7% in FY 2024-25, 3.6% in FY 2025-26, and 1.8% in FY 2026-27.

Table 2 also shows the May 2024 adjusted consensus estimates and the recommended revisions to these estimates for FY 2023-24 through FY 2025-26. The May 2024 adjusted consensus estimates include the FY 2024 consensus estimates plus enacted tax changes since the May 2024 consensus revenue estimating conference.

Preliminary FY 2023-24 figures suggest an increase of $907.9 million from the May 2024 adjusted consensus estimates, due in part to weaker than expected Michigan Business Tax (MBT) credits (meaning a less negative MBT) and strong income tax collections, sales tax collections, state education tax (SET), real estate transfer tax (RET), and other non-tax revenues, primarily interfund borrowing interest and escheats.

The recommended revision for FY 2024-25 is an increase of $783.2 million primarily due to increased revenues from the income tax, sales tax, SET, and RET. Finally, the recommended revision for FY 2025-26 is $926.2 million due sustained upside revisions to income tax revenue, sales tax revenue, SET, and RET and an upward revision in corporate income tax revenue.

GF/GP Revenue by Source

GF/GP Tax Revenue

Table 3 - Relative to FY 2022-23, preliminary GF/GP tax revenue decreased 5.0% to $13,413.1 million in FY 2023-24. Net income taxes (after refunds) accruing to the general fund increased by 8.0% due to the return of the income tax to 4.25% and stronger withholding and lower than expected refunds, and MBT credits coming in 17.8% below (less negative) the May 2024 CREC estimate. GF/GP tax revenue in FY 2024-25 is estimated to be $13,882.8 million, an increase of $469.7 million, and $14,855.5 million in FY 2025-26, an increase of $972.7 million, a significant portion of the increase due to the expiration of $550.0 million in CIT earmarks. GF/GP tax revenue is estimated to increase 2.1% in FY 2026-27.

Total GF/GP Net Revenue

Net GF/GP revenue includes non-tax revenue and represents the amount available for expenditure. Preliminary net GF/GP revenue is expected to be $14,578.1 million in FY 2023-24. In FY 2024-25 it is forecast to be $14,695.4 million, an increase of $117.4 million, and $15,527.5 million in FY 2025-26, an increase of $832.1 million, or 5.7%. Net GF/GP revenue is estimated to increase 1.5% in FY 2026-27 to $15,767.8 million.

SAF Revenue by Source

Total Net SAF Revenue

Table 4 - Preliminary net SAF revenue is anticipated to increase 1.1% to $18,062.1 million in FY 2023-24. Net SAF revenue is forecast to be $18,492.5 million in FY 2024-25, an increase of $430.4 million, or 2.4%. Net SAF revenue is estimated to increase 2.0% in FY 2025-26 and 2.1% in FY 2026-27.

Table 2
HFA JANUARY 2025 REVENUE ESTIMATES FOR FY 2024-25 THROUGH FY 2026-27
(Millions of Dollars)

	Preliminary FY 2023-24	HFA Est. FY 2024-25	HFA Est. FY 2025-26	HFA Est. FY 2026-27	FY 2024-25 % Change	FY 2025-26 % Change	FY 2026-27 % Change
Baseline							
GF/GP	$17,395.0	$17,605.1	$18,006.2	$18,332.8	1.2%	2.3%	1.8%
SAF	18,180.7	18,671.9	19,066.5	19,477.5	2.7%	2.1%	2.2%
Total	**$35,575.7**	**$36,277.0**	**$37,072.7**	**$37,810.3**	2.0%	2.2%	2.0%
Net							
GF/GP	$14,578.1	$14,695.4	$15,527.5	$15,767.8	0.8%	5.7%	1.5%
SAF	18,062.1	18,492.5	18,857.6	19,249.4	2.4%	2.0%	2.1%
Total	**$32,640.1**	**$33,187.9**	**$34,385.1**	**$35,017.1**	1.7%	3.6%	1.8%
May 2024 Adjusted Consensus[1]							
Net							
GF/GP	$13,948.7	$14,257.8	$14,886.5				
SAF	17,783.5	18,146.9	18,572.4				
Total	**$31,732.2**	**$32,404.7**	**$33,458.9**				
Recommended Revision							
Net							
GF/GP	$629.4	$437.6	$641.0				
SAF	278.6	345.6	285.2				
Total	**$907.9**	**$783.2**	**$926.2**				

NOTE: Numbers may not add due to rounding.

[1] The May 2024 adjusted consensus estimate includes the May 2024 consensus estimate plus enacted tax changes since May 2024.

Table 3
GF/GP NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS
(Millions of Dollars)

	Preliminary FY 2023-24	HFA Est. FY 2024-25	HFA Est. FY 2025-26	HFA Est. FY 2026-27	FY 2024-25 $ Change	FY 2024-25 % Change	FY 2025-26 $ Change	FY 2025-26 % Change	FY 2026-27 $ Change	FY 2026-27 % Change
Income Tax	$8,385.1	$8,826.5	$9,119.0	$9,339.6	$441.4	5.3%	$292.4	3.3%	$220.6	2.4%
Sales Tax	1,535.2	1,633.0	1,657.4	1,676.4	97.8	6.4%	24.4	1.5%	18.9	1.1%
Use Tax	1,251.7	1,281.8	1,319.6	1,361.5	30.1	2.4%	37.8	2.9%	41.8	3.2%
Michigan Business Tax	(356.9)	(496.9)	(507.7)	(527.0)	(140.0)	39.2%	(10.8)	2.2%	(19.3)	3.8%
Corporate Income Tax	1,574.0	1,595.0	2,200.0	2,230.0	21.0	1.3%	605.0	37.9%	30.0	1.4%
Insurance	537.4	555.0	570.0	580.0	17.6	3.3%	15.0	2.7%	10.0	1.8%
Other GF/GP Taxes	486.7	488.3	497.2	502.9	1.7	0.3%	8.8	1.8%	5.8	1.2%
GF/GP Net Tax Revenue	**$13,413.1**	**$13,882.8**	**$14,855.5**	**$15,163.4**	**$469.7**	**3.5%**	**$972.7**	**7.0%**	**$307.9**	**2.1%**
Non-Tax Revenue	1,164.9	812.6	672.0	604.4	(352.3)	(30.2%)	(140.6)	(17.3%)	(67.6)	(10.1%)
Total GF/GP Net Revenue	**$14,578.1**	**$14,695.4**	**$15,527.5**	**$15,767.8**	**$117.4**	**0.8%**	**$832.1**	**5.7%**	**$240.3**	**1.5%**

NOTE: Numbers may not add due to rounding.

Table 4

SCHOOL AID FUND NET REVENUE ESTIMATES AND CHANGE FROM THE PREVIOUS FISCAL YEARS

(Millions of Dollars)

	Preliminary FY 2023-24	HFA Est. FY 2024-25	HFA Est. FY 2025-26	HFA Est. FY 2026-27	FY 2024-25 $ Change	FY 2024-25 % Change	FY 2025-26 $ Change	FY 2025-26 % Change	FY 2026-27 $ Change	FY 2026-27 % Change
Sales Tax	$7,790.0	$7,848.3	$7,970.1	$8,070.6	$58.3	0.7%	$121.8	1.6%	$100.5	1.3%
Use Tax	951.7	978.2	998.2	1,019.8	26.5	2.8%	20.0	2.0%	21.7	2.2%
Income Tax	3,911.5	4,101.3	4,189.0	4,334.7	189.8	4.9%	87.8	2.1%	145.7	3.5%
State Education Tax	2,765.9	2,860.0	2,950.0	3,035.0	94.1	3.4%	90.0	3.1%	85.0	2.9%
Lottery/Casinos	1,349.4	1,377.0	1,389.0	1,401.0	27.6	2.0%	12.0	0.9%	12.0	0.9%
Tobacco Tax	229.8	225.6	221.4	217.2	(4.1)	(1.8%)	(4.2)	(1.9%)	(4.2)	(1.9%)
Real Estate Transfer Tax	404.5	420.0	440.0	455.0	15.5	3.8%	20.0	4.8%	15.0	3.4%
Other Taxes	659.3	682.1	699.9	716.0	22.8	3.5%	17.8	2.6%	16.1	2.3%
SAF Net Revenue	**$18,062.1**	**$18,492.5**	**$18,857.6**	**$19,249.4**	**$430.4**	**2.4%**	**$365.1**	**2.0%**	**$391.8**	**2.1%**

NOTE: Numbers may not add due to rounding.

BSF Year-End Balance

The Counter-Cyclical Budget and Economic Stabilization Fund (BSF), the state's rainy day fund, is a reserve of cash to contribute to or withdraw from throughout economic and budget cycles. A statutory BSF trigger calculation – based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue – indicates whether a pay-in (deposit) is recommended. Under the provisions of 2018 PA 613, a pay-out (withdrawal) of up to 25% of the prior year ending BSF balance would be indicated if personal income growth is negative. In either case, the recommendation is statutory; it cannot mandate an appropriation, and 2018 PA 613 specifies that a legislative appropriation is required for transfers both into and out of the fund.

In addition to the BSF calculation, 2014 PA 186 amended the Michigan Trust Fund Act to require annual $17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35. **Table 5** provides details on deposits, withdrawals, interest earnings, and the year-end balance from FY 1990-91 through FY 2026-27. Estimates include the impact of 2014 PA 186 amended the Michigan Trust Fund Act to require annual $17.5 million deposits of tobacco settlement revenue to the BSF from FY 2014-15 through FY 2034-35.

After an appropriated pay-out of $350.0 million, the BSF ending fund balance at the end of FY 2019-20 was $829.0 million. The balance increased to $1,588.8 million after appropriations of $35.0 million and $500 million in FY 2020-21 and $180.0 million in FY 2021-22. An additional $100.0 million was appropriated for deposit in both FY 2022-23 and FY 2023-24, which took the BSF balance to $1,996.6 million at the close of FY 2023-24. Relatively high interest rates will continue to provide elevated investment returns for the BSF.

The statutory BSF trigger calculation, based on Michigan personal income less transfer payments adjusted for inflation and actual or net GF/GP revenue, indicates whether deposits (pay-ins) or withdrawals (pay-outs) are recommended for a fiscal year. Regardless of the calculated amounts, however, all deposits and withdrawals must be appropriated. Based on the formula, no pay-ins would be indicated for FY 2024-25, FY 2025-26, or FY 2026-27.

No pay-outs would be indicated for FY 2024-25, FY 2025-26, or FY 2026-27.

After adjusting for the required $17.5 million deposits, the $50.0 million appropriated for deposit, and estimated interest earnings, the year-end balance is projected at $2,147.5 million for FY 2024-25, $2,236.8 million for FY 2025-26, and $2,327.7 million for FY 2026-27.

Table 5
BUDGET STABILIZATION FUND HISTORY
(Millions of Dollars)

Fiscal Year	Deposits	Withdrawals	Interest Earned	Balance
1990-91	$0.0	$230.0	$27.1	$182.2
1991-92	$0.0	$170.1	$8.1	$20.1
1992-93	$282.6	$0.0	$0.7	$303.4
1993-94	$460.2	$0.0	$11.9	$775.5
1994-95	$260.1	$90.4	$57.7	$1,003.0
1995-96	$91.3	$0.0	$59.2	$1,153.6
1996-97	$0.0	$69.0	$67.8	$1,152.4
1997-98	$0.0	$212.0	$60.1	$1,000.5
1998-99	$244.4	$73.7	$51.2	$1,222.5
1999-2000	$100.0	$132.0	$73.9	$1,264.4
2000-01	$0.0	$337.0	$66.7	$994.2
2001-02	$0.0	$869.8	$20.8	$145.2
2002-03	$0.0	$156.1	$10.9	$0.0
2003-04	$81.3	$0.0	$0.0	$81.3
2004-05	$0.0	$81.3	$2.0	$2.0
2005-06	$0.0	$0.0	$0.0	$2.0
2006-07	$0.0	$0.0	$0.1	$2.1
2007-08	$0.0	$0.0	$0.1	$2.2
2008-09	$0.0	$0.0	$0.0	$2.2
2009-10	$0.0	$0.0	$0.0	$2.2
2010-11	$0.0	$0.0	$0.0	$2.2
2011-12	$362.7	$0.0	$0.2	$365.1
2012-13	$140.0	$0.0	$0.5	$505.6
2013-14	$75.0	$194.8	$0.4	$386.2
2014-15	$111.6	$0.0	$0.3	$498.1
2015-16	$112.5	$0.0	$1.7	$612.4
2016-17	$92.5	$0.0	$5.1	$710.0
2017-18	$282.5	$0.0	$13.5	$1,006.0
2018-19	$117.5	$0.0	$25.1	$1,148.6
2019-20	$17.5	$350.0	$13.2	$829.1
2020-21	$552.5	$0.0	$1.0	$1,382.3
2021-22	$197.5	$0.0	$9.3	$1,588.9
2022-23	$117.5	$0.0	$74.1	$1,780.5
2023-24	$117.5	$0.0	$98.7	$1,996.7
2024-25*	$67.5	$0.0	$83.3	$2,147.5
2025-26*	$17.5	$0.0	$71.8	$2,236.8
2026-27*	$17.5	$0.0	$73.5	$2,327.7

** HFA estimates*

NOTE: Numbers may not add due to rounding.

Compliance with the State Revenue Limit

Article IX, Section 26 of the 1963 Michigan Constitution, which was approved by a vote of the people in 1978, sets a limit on the amount of revenue collected by the state in any fiscal year. As provided for in the Constitution, the revenue limit is calculated as 9.49% of total state personal income (which is the broadest measure of state economic activity) in the previous full calendar year prior to the fiscal year in which the revenues are measured.

The revenue to be considered in the revenue limit includes not only state taxes, but also fees, licenses, and interest earned. Federal aid is not included in the revenue limit calculation. Article IX, Section 26 of the 1963 Michigan Constitution provides that:

> . . . For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . . .

Furthermore, limit established in Section 26 by Article IX, Section 28 prohibits the state from spending any current-year revenue in excess of that amount.

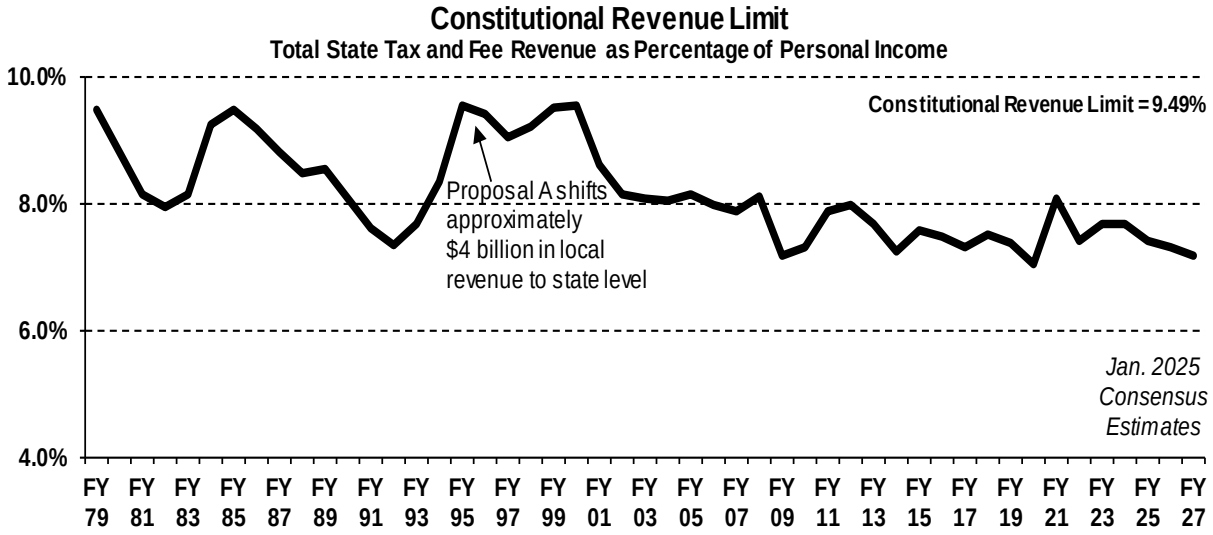
As shown in **Table 6** and **Figure 3**, the FY 2023-24 revenue limit calculation is expected to show state revenue collections at $10.5 billion below the revenue limit. For FY 2024-25, state revenue is estimated to be below the limit by $12.7 billion. For FY 2025-26 and FY 2026-27, state revenue is estimated to remain well below the revenue limit – by $14.0 billion and $15.4 billion, respectively.

Table 6
COMPLIANCE WITH THE STATE REVENUE LIMIT
(Millions of Dollars)

Revenue Limit Calculations	Estimated FY 2023-24	Estimated FY 2024-25	Estimated FY 2025-26	Estimated FY 2026-27
Personal Income				
Calendar Year	CY 2022	CY 2023	CY 2024	CY 2025
Amount	$582,021	$613,719	$643,259	$666,826
X Limit Ratio	9.49%	9.49%	9.49%	9.49%
State Revenue Limit	**$55,233.8**	**$58,242.0**	**$61,045.2**	**$63,281.8**
Total Revenue Subject to Revenue Limit	$44,721.1	$45,558.1	$47,056.4	$47,901.2
Amount Under (Over) State Revenue Limit	**$10,512.7**	**$12,683.9**	**$13,988.9**	**$15,380.6**

NOTE: Numbers may not add due to rounding.

Figure 3



HFA Estimates of Year-End Balances

Table 7 reports HFA estimates of year-end balances for GF/GP, the SAF, and the BSF. FY 2023-24 estimates are based on preliminary year end revenues, year-to-date appropriations, and K-12 cost estimates. FY 2024-25 estimates include HFA revenues, year-to-date appropriations, and K-12 cost estimates.

BSF estimates are based on the current balance and HFA estimates of future deposits and interest earned.

Table 7
YEAR-END UNRESERVED BALANCE ESTIMATES
(Millions of Dollars)

	Preliminary FY 2023-24	Estimated FY 2024-25
General Fund/General Purpose	$2,012.4	$684.5
School Aid Fund	$1,101.0	$1,026.3
Budget Stabilization Fund	$1,996.7	$2,147.5

Note: School Aid Fund revenue is restricted; any year-end balance is carried forward to the subsequent year.

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